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SECURITIES AND EXCHANGE COMMISSION

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Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FG2-22608

For the Quarter Ended March 31, 1992

Commission File # 2-38193

ELIZABETHTOWN GAS COMPANY
(Wholly-owned subsidiary of NUI Corporation)

(Exact name of registrant as specified in its charter)

New Jersey	22-0858120
(State of incorporation)	(I.R.S. employer identification no.)

One Elizabethtown Plaza, Union, New Jersey 07083
(Address of principal executive offices, including zip code)

PROCESSED BY
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(908) 289-5000
(Registrant's telephone number, including area code)

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REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H (1) (a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM IN THE REDUCED DISCLOSURE FORMAT.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes X No __

The number of shares outstanding of each of the registrant's classes of common stock, as of May 11, 1992:

Common Stock, No Par Value: 1,040,164 shares outstanding.

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Elizabethtown Gas Company and Subsidiaries
Condensed Statements of Consolidated Income (Unaudited)
(Dollars in thousands)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1991	1992	1991	1992
Operating Revenues	$104,153	$107,862	$186,634	$185,926
Operating Expenses				
Purchased gas and fuel	53,162	50,238	97,614	87,136
Other operation	15,219	15,574	31,473	30,521
Maintenance	882	1,256	2,045	2,488
Depreciation and amortization	3,302	3,514	6,319	7,054
General taxes	13,066	15,239	22,840	24,359
Income taxes	5,535	6,536	7,223	9,731
Total operating expenses	91,166	92,357	167,514	161,289
Operating Income	12,987	15,505	19,120	24,637
Other Income, net	472	287	744	610
Income before Interest Expense	13,459	15,792	19,864	25,247
Interest Expense	2,797	3,094	6,045	6,240
Net Income	$ 10,662	$ 12,698	$ 13,819	$ 19,007

See the notes to the condensed consolidated financial statements.

Elizabethtown Gas Company and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in thousands)

ASSETS

	September 30, 1991	March 31, 1992 (Unaudited)
Property, Plant and Equipment		
Utility plant, at original cost	$420,460	$432,423
Accumulated depreciation and amortization	(129,564)	(135,885)
Unamortized plant acquisition adjustment	16,450	16,264
Property, plant and equipment, net	307,346	312,802
Funds for Construction Held by Trustee	—	39,066
Investments in Marketable Securities	5,926	6,695
Current Assets		
Cash and temporary cash investments	4,440	13,247
Receivables	30,101	50,926
Allowance for doubtful accounts	(1,041)	(2,226)
Fuel inventories, at average cost, and deferred cost of gas, net	7,255	1,535
Deferred Federal income taxes	7,270	7,128
Materials, supplies and other	3,649	6,995
Total current assets	51,674	77,605
Other Assets		
Fuel inventories, non-current	2,509	2,526
Deferred environmental costs	25,139	25,200
Deferred charges and other assets	10,365	12,867
Total other assets	38,013	40,593
	$402,959	$476,761

See the notes to the condensed consolidated financial statements.

Elizabethtown Gas Company and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in thousands)

CAPITALIZATION AND LIABILITIES

	September 30, 1991	March 31, 1992 (Unaudited)
Capitalization		
Common shareholder's equity		
Common stock	$ 10,402	$ 10,402
Additional paid-in capital	67,920	67,920
Retained earnings	66,862	82,045
Guaranty of ESOP indebtedness	(1,568)	(1,519)
Total common shareholder's equity	143,616	158,848
Long-term debt	86,189	128,435
Total capitalization	229,805	287,283
Obligations Under Capital Leases	14,871	13,996
Current Liabilities		
Current portion of long-term debt and capital lease obligations	4,148	5,284
Notes payable	6,800	409
Accounts payable and accrued liabilities	44,627	54,991
Accrued taxes	30,871	42,579
Total current liabilities	86,446	103,263
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	31,769	32,468
Deferred investment tax credits	8,594	8,363
Reserve for environmental matters	24,700	24,700
Other liabilities	6,774	6,688
Total deferred credits and other liabilities	71,837	72,219
	$402,959	$476,761

See the notes to the condensed consolidated financial statements.

Elizabethtown Gas Company and Subsidiaries
Condensed Statements of Consolidated Cash Flows (Unaudited)
(Dollars in thousands)

	Six Months Ended March 31,	
	1991	1992
Operating Activities		
Net income	$13,819	$19,007
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,248	7,737
Amortization of non-current fuel inventory	705	—
Deferred Federal income taxes	847	693
Amortization of deferred investment tax credits	(227)	(231)
Other	546	1,336
Changes in working capital and other	4,661	1,993
Net cash provided by operating activities	27,599	30,535
Financing Activities		
Proceeds from long-term debt	—	52,870
Repayments of long-term debt	(221)	(11,472)
Funds for construction held by trustee	—	(37,985)
Principal payments under capital lease obligations	(999)	(917)
Repayments of notes payable to banks, net	(12,750)	(6,391)
Dividends to NUI	(4,257)	(3,891)
Equity contributed by NUI	6,500	—
Net cash used for financing activities	(11,727)	(7,786)
Investing Activities		
Additions to utility plant	(15,814)	(13,016)
Other	36	(926)
Net cash used for investing activities	(15,778)	(13,942)
Net Increase in Cash and Temporary Cash Investments	$ 94	$ 8,807
Cash and Temporary Cash Investments:		
Beginning of period	3,454	4,440
End of period	$ 3,548	$13,247
Supplemental Disclosures of Cash Flows:		
Interest	$ 6,297	$ 6,429
Income taxes	$ 1,984	$ 2,788

See the notes to the condensed consolidated financial statements.

1. Basis of Presentation

The Condensed Consolidated Financial Statements, which include the accounts of Elizabethtown Gas Company and its subsidiaries (the "Company"), have been prepared without audit, in accordance with the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for interim periods. All adjustments made were of a normal recurring nature. The Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the Notes thereto that are included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1991.

The Company, which is a wholly-owned subsidiary of NUI Corporation, distributes natural gas in New Jersey and Florida. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year. Historically, the Company has realized approximately two-thirds of its annual operating revenues in the first two quarters of the fiscal year.

2. Income Taxes

In February 1992, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which, among other things, requires a change in the method used by enterprises to account for deferred income taxes. The Company expects to adopt this new standard in fiscal 1994. Adoption of SFAS No. 109 is not expected to have a material effect on the Company's net income because, in accordance with the provisions of the Tax Reform Act of 1986, the resulting adjustments of previously established deferred tax balances to reflect the currently enacted Federal income tax rate generally will be included in operating income over the remaining depreciable lives of the related property and the Company's revenue requirements for rate-making purposes will be reduced concurrently. As of March 31, 1992, the net cumulative effect of differences between the book and the tax bases of assets for which deferred taxes have not been provided, if recorded in accordance with SFAS No. 109, would result in an increase in the deferred tax liability of approximately $10.9 million, an increase in the unamortized plant acquisition adjustment of approximately $8.4 million and the recording of a net receivable from customers of approximately $2.5 million.

3. Postretirement Benefits Other Than Pensions

The Company provides certain health care benefits to substantially all retirees receiving benefits under a Company pension plan (other than the Florida Division plan) who reach retirement age while working for the Company. The cost of these benefits, which is expensed as premiums are paid under insurance contracts, was $.4 million in each of the six-month periods ended March 31, 1991 and 1992.

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which, among other things, requires enterprises to accrue the expected cost of these benefits during the years that eligible employees render the necessary service. The Company expects to adopt SFAS No. 106 in fiscal 1994. Based on a preliminary review by the Company's actuary, the unfunded postretirement benefit obligation as of the beginning of fiscal 1994, measured in accordance with the new standard, is currently estimated to range from $20 million to $26 million. The estimate is subject to significant change based on a number of factors, including possible changes in the assumed health care cost trend rate used in the calculations. The Company plans to amortize the discounted present value of the obligation as of the date of adoption to expense over a twenty-year period. The adoption of SFAS No. 106 is not expected to have a material effect on the Company's net income because any additional expense not recovered concurrently in rates is expected to be deferred to match ratemaking treatment.

The Company continuously evaluates alternative ways to manage these benefits and control their costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amount of the reported obligation and annual expense.

4. Long-Term Debt

In October 1991, pursuant to agreements with the New Jersey Economic Development Authority, Gas Facilities Revenue Bonds that mature in October 2021 were issued in the amount of $46.2 million at 6.75% and $8.4 million at 6.625%. The net proceeds to the Company related to this indebtedness, which are held by a trustee until drawn upon the incurrence of eligible expenditures, are being used to finance expenditures through fiscal 1995 for the construction of certain gas facilities and related equipment in New Jersey. Long-term debt in the Company's Consolidated Balance Sheet as of September 30, 1991 included $11.4 million of notes payable to banks that were repaid in October 1991 with funds provided by this indebtedness.

5. Contingencies

Environmental Matters. The Company owns or previously owned certain properties on which gas was manufactured by the New Jersey Division or by other parties in the past. Coal tar residues are present on six of these sites and the Company has reported their presence to the United States Environmental Protection Agency, the New Jersey Department of Environmental Protection and Energy (the "DEPE") and the New Jersey Board of Regulatory Commissioners.

The Company expects it will expend in the next twenty years approximately $25 million, net of costs which will be borne by the prior owners and operators of certain of the sites, to complete investigation of such sites and the remediation of the coal tar contamination. The ultimate costs will depend upon the investigation and remediation plans that are finally adopted by the Company, subject to the approval of the DEPE. The Company has accrued approximately $25 million for investigation and remediation of the sites and has deferred the related costs on its Consolidated Balance Sheet along with the costs of prior expenditures recoverable under the current base rate order.

The Company believes that its remediation costs will be recoverable in rates and that a portion of such costs may be recoverable from the Company's insurance carriers. The current base rate order for the New Jersey Division permits the Company to utilize full deferred accounting for coal tar related expenditures and, with respect to the $260,000 of such expenditures paid prior to the issuance of the rate order, provides for the recovery through rates at $130,000 annually. Other New Jersey utilities also have received authorization to recover similar environmental expenditures in rates.

Other. In addition, the Company is involved in various claims and litigation incidental to its business. In the opinion of management, none of these other claims and litigation will have a material adverse effect on the Company's results of operations or its financial condition.

Elizabethtown Gas Company and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is engaged in the distribution of natural gas in New Jersey and Florida. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year. Historically, the Company has realized approximately two-thirds of its annual operating revenues in the first two quarters of the fiscal year.

Three Months Ended March 31, 1992 versus Three Months Ended March 31, 1991. Net income for the quarter ended March 31, 1992 was $12.7 million, which is a net increase of 19% as compared with net income of $10.7 million, for the same period in the prior year. Operating revenues for the quarter increased to $107.9 million from $104.2 million in the second quarter of fiscal 1991. The increase in net income reflects increased sales volumes as a result of cooler weather and customer growth and the implementation of a weather normalization clause on a two-year test basis in New Jersey (see "—Rate Matters"). The effects on operating revenues from increased volumes and rates were partially offset by billing adjustments to pass through lower gas costs to customers.

Six Months Ended March 31, 1992 versus Six Months Ended March 31, 1991. Net income for the six months ended March 31, 1992 was $19 million, as compared with net income of $13.8 million for the same period in the prior year. Operating revenues for the six months decreased to $185.9 million as compared with $186.6 million in the same period in fiscal 1991. The increase in net income reflects increased sales volumes as a result of cooler weather and customer growth; higher rates in Florida and the implementation of a weather normalization clause in New Jersey (see "—Rate Matters"); and lower interest costs. The effects on operating revenues from increased volumes and rates were more than offset by billing adjustments to pass through lower gas costs to customers.

Financings. In October 1991, the Company incurred a total of $54.6 million of long-term debt to finance certain construction expenditures. See "—Financing Activities and Resources."

Results of Operations

Operating Revenues and Operating Margins. The Company's operating margins (operating revenues less the costs of purchased gas and fuel and gross receipts and franchise taxes) increased by $4.4 million, or 11%, in the quarter ended March 31, 1992 and by $8.1 million, or 12%, for the six months ended March 31, 1992 as compared with operating margins in the equivalent periods in fiscal 1991. The 1991-1992 heating season was 12% cooler (as measured by degree days) than a year ago which improved sales volumes significantly. In addition, with total degree days in New Jersey 5% below the thirty-year average ("normal"), the Company's operating margins were increased by weather normalization adjustments amounting to approximately $0.7 million in the second quarter of fiscal 1992 and $1.5 million for the first six months of fiscal 1992 (see "—Rate Matters"). Sales volumes also improved due to the number of customers served, which increased approximately 6,600, or 2.1%, as compared with fiscal 1991, principally reflecting the customers added in February 1991 in connection with the acquisition of additional service areas in Florida together with residential and commercial development in both New Jersey and Florida. The number of heating customers served in New Jersey was higher by approximately 5,100, or 3.3%, as compared with a year ago, including the effects of converting existing water and cooking service customers into full gas-heating customers. Operating margins also benefited from a rate increase in Florida (see "—Rate Matters") and operating revenues were reduced by the effects of gas cost adjustments (see "—Gas Cost Adjustments").

Rate Matters. The Company concluded rate cases in each of its two operating divisions in the fourth quarter of fiscal 1991, including the adoption of a weather normalization clause on a two-year test basis for its New Jersey Division beginning in October 1991. The weather normalization clause is designed to help stabilize the Company's results by increasing rates charged to customers when weather has been warmer than normal and by decreasing rates when weather has been colder than normal, without impairing the Company's ability to recover the gas cost components of providing gas service. Based on the warmer than normal weather in the 1991-1992 heating season, the Company expects that the adjustment attributable to the clause will increase customers' bills in the 1992-1993 heating season. Pursuant to the rate case settlement under which the Company obtained the weather normalization clause, the Company reduced its New Jersey Division rates beginning in October 1991 by an amount equivalent to $500,000 in annual revenues, which would allow the New Jersey Division an opportunity to earn a 12.4% return on utility equity.

In July 1990, the Florida Division began billing an interim rate increase equivalent to $2.5 million annually. In August 1991, the Company received approval to fix the increase in its Florida Division's rates and charges at an amount equivalent to $3.5 million in annual revenues, which would allow the Florida Division an opportunity to earn a 13.0% return on utility equity. The Florida Division has been collecting revenues at the increased level since January 1991.

Gas Cost Adjustments. Adjustment clauses in both New Jersey and Florida enable the Company to pass through to customers, through periodic adjustments to the rates billed, increased or decreased costs incurred by the Company for purchased gas. Adjustments related to changes in gas costs had the effect of decreasing operating revenues by $4.0 million in the second quarter of fiscal 1992 and $13.0 million on a six month basis as compared with the same periods in fiscal 1991, with offsetting adjustments to purchased gas and fuel costs and to gross receipts and franchise taxes.

Operating Income. The Company's operating income before income taxes increased by $3.5 million, or 19%, for the quarter ended March 31, 1992 and by $8.0 million, or 30%, for the six months ended March 31, 1992 as compared with operating income before income taxes in the equivalent periods in fiscal 1991, principally reflecting the improvement in operating margins. On a six month basis, the improvement also reflects the absence of costs incurred in the first quarter of fiscal 1991 in connection with a 24-day work stoppage at the New Jersey Division and with obtaining shareholder and regulatory approvals for the acquisition of PEI, which subsequently terminated. The work stoppage, which began upon the expiration of an existing labor contract, was resolved when agreement was reached with respect to the current four-year contract commencing as of November 21, 1991. In addition, fiscal 1992 benefits from the effects of medical insurance cost sharing and an early retirement program. The increase in depreciation and amortization expense principally reflects the increase in utility plant in service as a result of completed construction to expand and upgrade the Company's distribution system.

Interest Expense. Interest expense in the second quarter and first six months of fiscal 1992 reflects higher outstanding borrowings but lower prevailing interest rates as compared with a year ago (see "—Financing Activities and Resources").

Financing Activities and Resources

Financing Resources. The Company generally funds its operations with internally generated cash, supplemented with borrowings under its bank lines of credit to satisfy seasonal requirements. The Company funds certain of its New Jersey construction expenditures with Funds for Construction Held by Trustee and a portion of the remaining construction expenditures with borrowings under bank lines of credit, pending refinancing through the issuance of long-term debt or by the contribution of additional equity capital by NUI.

Internally Generated Funds. Net cash provided by operating activities before changes in working capital increased to $28.5 million for the first six months of fiscal 1992 as compared with $22.9 million in the same period

in fiscal 1991. Working capital decreased $2.0 million for the first six months of fiscal 1992 and $4.7 million for the fiscal 1991 period. These seasonal decreases in working capital principally reflect the consumption of gas and fuel held in inventory, partially offset in fiscal 1991 by a payment to settle certain Florida Division litigation.

Long-Term Debt and Funds for Construction Held by Trustee. In October 1991, the Company incurred a total of $54.6 million of long-term debt to finance expenditures through fiscal 1995 for the construction of certain gas facilities and related equipment in New Jersey, including approximately $11.4 million expended prior to the incurrence of this long-term debt. The unexpended portion of the net proceeds from this borrowing was $39.1 million at March 31, 1992 and is classified on the Company's Consolidated Balance Sheet as Funds for Construction Held by Trustee until drawn upon the incurrence of eligible expenditures.

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $27.4 million at 8.2% for the six months ended March 31, 1991 and $14.1 million at 5.8% for the six months ended March 31, 1992. At March 31, 1992, the Company had $61.2 million of available unused credit lines.

Capital Expenditures and Commitments

Capital expenditures for the six months ended March 31, 1992 were $12.9 million. For fiscal 1992, capital expenditures are expected to be approximately $32 million, as compared with a total of $24.8 million for fiscal 1991. The Company's capital expenditures primarily consist of expenditures to expand and upgrade the Company's gas distribution systems.

In addition, the estimated present value of minimum lease payments relating to a divisional headquarters aggregated over the remaining 18-year term of the lease together with leasehold improvements and furniture, is approximately $34.6 million as of March 31, 1992, of which $11.6 million is reflected in the Consolidated Balance Sheet as capital lease obligations. The remainder is being incurred under an operating lease.

As discussed in "Contingencies," Note 5 of the Notes to the Condensed Consolidated Financial Statements, the Company expects it will expend in the next twenty years approximately $25 million to complete investigation and remediation of the coal tar contamination on New Jersey properties which the Company owns or previously owned on which gas was manufactured in the past. The ultimate costs will depend upon the investigation and remediation plans that are finally adopted by the Company, subject to the approval of the New Jersey Department of Environmental Protection and Energy (the "DEPE"). The Company believes the remediation costs will be recoverable in rates and that a portion of such costs may be recoverable from the Company's insurance carriers.

In June 1991, legislation was enacted in New Jersey that accelerates the payments of approximately $30 million of gross receipts and franchise taxes by an average of almost one and a half years in stages from 1992 through 1994. The Company expects to recover in rates the costs associated with the related additional financing requirements.

The Company anticipates that its future capital expenditures and commitments are likely to require additional debt and equity financing.

Accounting Matters

The Company understands that the staff of the Securities and Exchange Commission (the "SEC") recently questioned another registrant's accounting for certain alternative ratemaking programs, including weather normalization adjustments. Specifically, the staff is questioning whether cost deferrals are appropriate for such programs under generally accepted accounting principles for regulated enterprises. The SEC staff has indicated it intends to ask the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board to consider this matter. Depending upon the conclusion reached by the EITF, the Company may be precluded from recognizing all or a portion of the effects of its weather normalization adjustment until the applicable amounts are billed to customers. In the opinion of management, the ultimate resolution of this matter will not have a material effect on the Company's financial position or results of operations.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

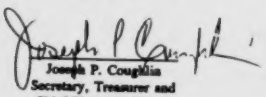
No reports on Form 8-K have been filed for the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

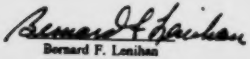
Elizabethtown Gas Company
(Registrant)

May 12, 1992



Joseph P. Coughlin
Secretary, Treasurer and
Chief Financial Officer

May 12, 1992



Bernard F. Lenihan
Vice President and
Chief Accounting Officer